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VULCAN CORPORATION

Annual Report '70

Summary of '70

	1970	1969	% of CHANGE
NET SALES	$28,569,590	$28,467,388	+ .4
NET EARNINGS	373,309	948,910	—60.7
AFTER TAXES EARNINGS PER COMMON SHARE	.18	.48	—62.5
COMMON DIVIDENDS PER SHARE	.15	.20	—25.0
SHAREHOLDER INVESTMENT	$ 8,304,921	$ 8,261,087	+ .5

Officers

J. W. BROWN/Chairman of the Board

LAWRENCE B. AUSTING/President

JAMES P. FLAUGHER/Vice President and Secretary

W. E. NICHOLS/Vice President

LOUIS F. LAUMAN/Vice President — Lasts

J. ROBERT KRAUS/Vice President — Heels

GEORGE M. ZIEPFEL/Vice President — Bowling

WALLACE H. PEARSON/Treasurer

GLEASON W. LUNN/Controller

VERNON E. BACHMAN/Assistant Secretary

JOSEPH GLENDYE, JR./Assistant Treasurer

VULCAN CORPORATION / CINCINNATI, OHIO 45202 U.S.A.

Directors



J. W. BROWN
Chairman of the Board



LAWRENCE B. AUSTING
President

EXECUTIVE COMMITTEE

LLOYD I. MILLER/Chairman
President/American Controlled Industries, Inc.

J. W. BROWN
Chairman of the Board/Vulcan Corporation

LAWRENCE B. AUSTING
President/Vulcan Corporation

RAY R. BROWN
Industrial Realtor

WM. T. CRUTCHFIELD
W. E. Hutton Company

FRED A. DOWD
Chairman of the Board
The First National Bank of Cincinnati

J. HOWARD FRAZER
Treasurer/American Controlled Industries, Inc.

BENJAMIN GETTLER
Partner/Brown & Gettler

SELDEN F. HIGH
President/Sullivan Electric Co.

JOHN F. KOONS, JR.
President/Burger Brewing Co.

DR. S. S. ROCKWERN
Physician

STOCK TRANSFER AGENTS
The First National Bank of Cincinnati, Cincinnati, Ohio
Chemical Bank, New York, New York

REGISTRARS
The Central Trust Company, Cincinnati, Ohio
Chemical Bank, New York, New York

AUDITORS
J. D. Cloud & Company, Cincinnati, Ohio
Wipfli, Ullrich & Company, Wausau, Wisc.
Clarkson, Gordon & Co., Kitchener, Canada

LEGAL COUNSEL
Brown & Gettler, Cincinnati, Ohio

To the Shareholders

March 17, 1971

1970 was a year in which Vulcan Corporation shared, with a large percentage of all business, a loss of volume and lowered profit margins in many of its operations. Only one division, sports products, which is oriented to the ever-expanding recreation market, countered the normal trend and showed an increase in sales and profits. The shoe products division, representing the major portion of our business, was adversely affected by a decrease in domestic shoe production, the high cost of money and an uncertain fashion picture which retarded shoe last buying.

Domestic shoe production reached its lowest level since 1954. The decrease was caused by an overall drop in retail sales accentuated by an increase in shoe imports. Both the general economy and conditions specifically affecting the shoe industry tended to stymie progress in many of our new ventures started in 1969, retarding their development into profit producers. Despite this delay in achieving profitability, these are still considered to have good future prospects when more normal business conditions develop.

As the year progressed and general economic recovery along with anticipated congressional import relief failed to materialize, operations were constantly reviewed and steps taken to meet the challenge of the deteriorating conditions. Staff was reduced — inventories slashed — capital spending curtailed — marginal operations consolidated or eliminated. 1970 results reflect only minimal returns from these economy moves as they were only effective for portions of the year. 1971 and future years should benefit to a much greater extent from the steps taken in 1970 and continuing in 1971.

EARNINGS . . . Net sales were $28,569,590 in 1970 compared to $28,467,388 in 1969. These are the second highest sales in the corporation's history; however, included over $3,500,000 in sales by our subsidiary, Southern Heel Company, which was acquired in December, 1969 and, therefore, not included in the results for that year.

Net profits for the year were $373,309 which amounted to $.18 per share after payment of dividends on preferred stock. This compared to profits of $948,910 or $.48 per share in 1969.

FINANCIAL . . . Net working capital at December 31, 1970 was $3,014,753 compared to $3,219,646 in 1969. Capital expenditures, exclusive of acquisitions, were $2,126,587; whereas, total depreciation was $1,182,375. The Brockton and Southern Heel buildings, completed or capitalized during the year, represent more than half of these expenditures.

No stock options were granted during the year under the plan authorized at the Annual Meeting in 1970. 51 shares of $3 Prior Preferred Stock and 105 shares of $4.50 Cumulative Preferred Stock were purchased and retired. There was no change during the year in the number of Common shares outstanding or in treasury.

Late in the year your company received the proceeds from a $1,000,000 industrial revenue bond issue of the City of Brockton. These bonds will be amortized over a twenty-year period by the corporation. Complete details will be found in Note 6 in the Notes to Consolidated Financial Statements on Page 12.

SHOE PRODUCTS . . . Lower retail sales, higher shoe imports, scarce money and a confused fashion picture all contributed to the decrease in domestic shoe production which in turn affected sales of shoe heels, shoe lasts and the combination insole shank. This, along with completion of the Brockton and Southern Heel buildings which entailed major movement of equipment and production, created a strain on profit margins. These moves and the temporary dislocation they created are behind us and both of these efficient facilities should prove beneficial to the corporation in the years ahead.

In addition to these plant relocations, in February the Johnson City, New York heel finishing operation was terminated as a result of its major customer's, Endicott Johnson Corporation, decision to discontinue the manufacture of womens dress shoes. The Johnson City, New York last plant was closed in June and its production transferred to other units, primarily the new Brockton plant.

After the import quota legislation, which was passed by the House and approved by the Senate Finance Committee, failed to be acted on by the full Senate in the closing days of the 91st Congress, a decision was made to terminate the marginal heel operations in Portsmouth, Ohio (heel finishing) and Johnson City, New York (wood heel turning). Neither of these closings will result in a loss of volume as the work will be transferred to other units of the corporation. This consolidation, to be completed during the first quarter of 1971, will increase production at other corporation plants, thus improving their results while eliminating duplicate overhead costs at the two units being terminated.

The operation of a heel finishing plant in Union, Missouri, which had formerly been a captive plant of the Wolff Shoe interests, was taken over at year end and will provide an opportunity for increasing sales in the Missouri-Arkansas area which is still considered a viable market.

SPORTS PRODUCTS . . . New record highs were again attained in the sale of bowling products both in the domestic and the export markets. Mechanized warehouse facilities at the Antigo, Wisconsin plant, completed during the latter part of 1969, and a complete revamping and re-equipping of the bowling pin billet manufacturing line, during the latter part of 1970, enabled output to be increased and even higher quality standards to be established for future years' production. The reputation for durability and high scoreability enjoyed by your company's dual brand of pins, the Dura-Mark and Vulcan Nyl-Tuf Supreme, is the base on which our ever-expanding sales are built and this should be enhanced by the new equipment.

A semi-automatic pinsetter for the Canadian game of fivepins was developed and test-marketed by our Canadian operation. It received an enthusiastic acceptance and sales are expected to increase in 1971.

FOREST PRODUCTS . . . Market conditions were unfavorable for the sale of timber or timber acreage during 1970; therefore, the corporation's holdings in the prime hardwood forests of Michigan's upper peninsula remain unchanged as to acreage although normal growth adds to volume and value each year. At year end the corporation owned 12,867 acres of land and timber and cutting rights on 4,179 acres.

OTHER PRODUCTS . . . The corporation has intensified its efforts to develop additional products, particularly in the plastics field which would enable us to utilize existing injection molding equipment to a fuller extent. Attention is currently being directed, but not limited to the food processing field where several minor items have been developed and are currently undergoing market testing. This is a growth market area and could ultimately represent a sizeable source of business if our initial efforts to enter this field prove successful.

The license agreement with International Shoe Findings Limited, Leicester, England, to produce Interlac brand lacquers and finishes was terminated as these lacquers, though suitable to the English market, did not prove completely adaptable to the more varied conditions of the U.S. shoe industry. The surface coatings plant, established to produce these lacquers, did become operational during the year and has been developing its own line of coatings which are marketed under the brand name VULCALAC.

Lolli Mfg., Inc., a tool and die shop specializing in the production of molds for the plastic injection molding industry, nearly doubled its volume in 1970. The corporation holds a fifty percent interest in this company and expects it to maintain a growth pattern. Lolli Mfg., Inc. produced about fifteen percent of the heel molds purchased by the corporation in 1970.

NOTES AND COMMENTS . . . Your company is constantly working to improve results for the future. A stringent economy program has cut operating costs; increased research has resulted in product improvements that are giving our customers better values to help offset imports; new markets in the plastic field are being explored as an avenue to diversification and internal growth; means of increasing the efficiency of our operations through better utilization of labor, technological improvements, consolidation or elimination are constantly being explored. These programs, when coupled with an upturn in the economy, or at least a temporary slowdown in shoe imports, should restore respectable profit margins and enable the corporation to resume its growth pattern.

A solution to the import problem was nearly attained in 1970 when an import quota bill, known popularly as the Mills Bill, was passed by the House and reached the floor of the Senate only to be bypassed in the closing days of the 91st Congress. This bill is expected to be introduced again in the 92nd Congress and hopefully will become law during the latter part of 1971 or early 1972.

All the major capital expenditures programmed several years ago are now behind us. Our equipment and physical facilities are the best in the company's history. We believe we are positioned to take maximum advantage of the predicted upswing in our economy.

Respectfully submitted,
VULCAN CORPORATION

J. W. Brown
Chairman of the Board

Lawrence B. Austing
President

By Order of the Board of Directors





MINI

MIDI

MAXI





The profusion of fashion, as evidenced by the attractive young ladies, each garbed in widely different yet acceptable 1970 styles, illustrates the confusion which afflicted the entire fashion industry during 1970. Every costume shown requires a different type shoe which resulted in a dispersion of volume into a multitude of styles. This increased the production costs for shoe manufacturer and supplier alike and, in many instances, resulted in retailers' clearing their inventory of what normally would have been obsolete shoes rather than restock with unproven, new merchandise. Manufacturers faced with this seemingly hopeless dilemma and pressured by rising costs and scarcity of funds, resorted, in many cases, to reactivating old lasts because there was not sufficient differentiation in the styling trend to justify the investment in a new last. These were contributing factors to the last business' reaching the lowest volume level since 1953.

Fashion Photos Courtesy: TOBER-SAIFER SHOE MANUFACTURING COMPANY, ST. LOUIS, MO. / COUNTRY SET SPORTSWEAR, INC.

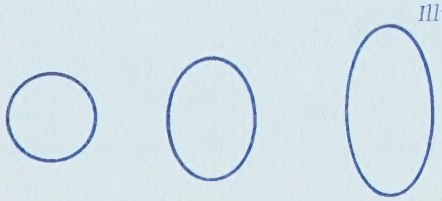
STANDARDS

The battle against imports is being fought in the company's research and development departments as well as in the halls of Congress. Recognizing the long-term solution to lower cost imports is in the production of lower cost domestic shoes and faster reaction to style changes, the company is working in many ways to reduce product cost and reaction time. Vice Presidents Louis F Lauman (lasts) and J. Robert Kraus (heels) have assumed leading rolls as members of a standardization committee of the American Footwear Manufacturers Association in work on standardizing lasts and heels. This technical committee has developed the concept of proportionally graded lasts and heels. A number of leading footwear manufacturers are currently production- and market-testing proportionally graded lasts produced in your company's plants.

EXAMPLE OF EFFECT OF PROPORTIONAL GRADE



Illustration 1



EXAMPLE OF EFFECT OF ARITHMETIC GRADE

When adopted, last standards and the proportional grade will offer numerous advantages to the industry and its suppliers. These include:

1. Manufacturers will be able to bring new styles on stream faster and more accurately.
2. When a range of proportionally graded lasts is superimposed at some common point, all other common points lie on gradient lines that radiate from the original point, thereby allowing machinery manufacturers to develop automated equipment that adjusts to the uniform difference between sizes and the standard placement of locating points. Ill. 2.
3. Greater uniformity and standardization of lasts will reduce manufacturers' inventories of parts, speed production and make components, such as our insole shank combination, available to larger numbers of manufacturers.
4. From our own standpoint as last and heel manufacturers, the number of costly models and molds will be reduced effecting savings in tooling expense, production and inventory costs.

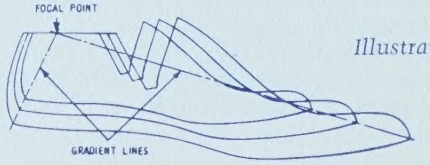
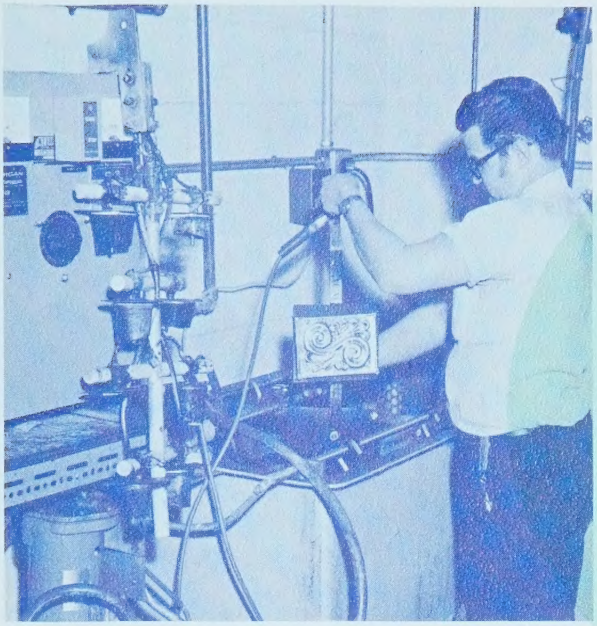


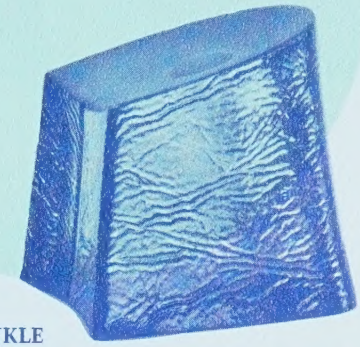
Illustration 2

The proportional grade increases all last dimensions by an equal percentage between sizes, as contrasted to the currently accepted arithmetic grade which maintains a fixed incremental increase between sizes in which the length increases at a faster rate than the girth. This causes the type of distortion shown in illustration 1 increasing the number of models required for adequate fit.



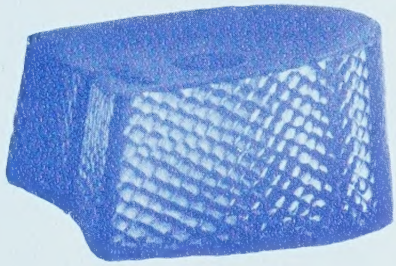
ELECTROFORMING

Electroplating tank in which nickel heel molds are electroformed. This process in the Lawrence, Massachusetts plant makes possible detailed reproduction of textured finishes in plastic. These heels, when sprayed with proper lacquer combinations, simulate a variety of materials such as reptile, krinkle patent, stacked leather, thus eliminating the cost of covering material and labor of applying covers. This reduces the overall cost of a finished shoe, thus helping to offset the cost advantage of imported footwear.



KRINKLE

SERP





GATOR-KRINK



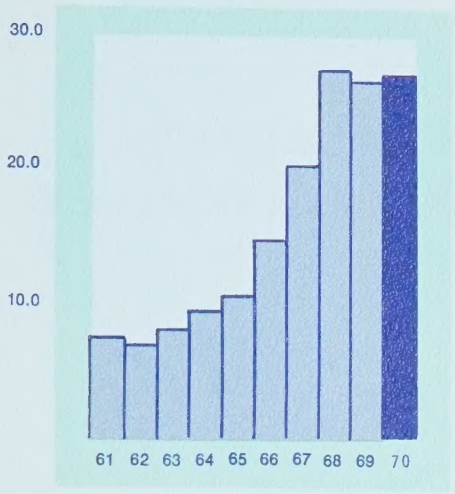
ANTIGO

New warehouse at Antigo, Wisconsin bowling pin plant. Completion of this facility concentrated all storage under one roof thereby improving inventory control, reducing handling costs and expediting customer service. Other in-plant space, previously utilized for storage, became available for installation of additional equipment and improved manufacturing layout for increased production.

Vulcan Corporation and Subsidiaries 10 year Record of Growth

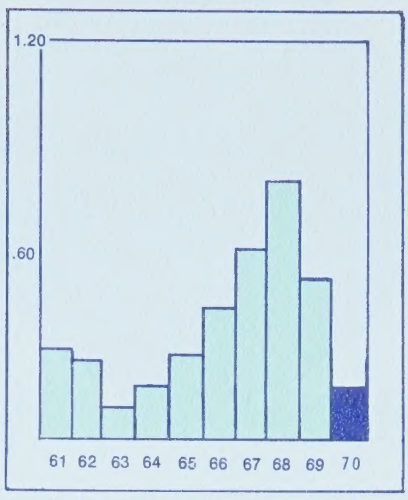
	1970
NET SALES	$28,569,59
DEPRECIATION	1,182,37
EARNINGS BEFORE TAXES	789,99
INCOME TAXES	416,68
NET EARNINGS	373,30
EARNINGS PER COMMON SHARE*	.1
DIVIDENDS PER COMMON SHARE*	.15
TOTAL ASSETS	16,826,67
PROPERTY, PLANT AND EQUIPMENT	7,011,50
CURRENT ASSETS	9,219,43
RATIO CURRENT ASSETS TO CURRENT LIABILITIES	1.49 to
TOTAL SHAREHOLDERS' EQUITY	8,304,92

SALES



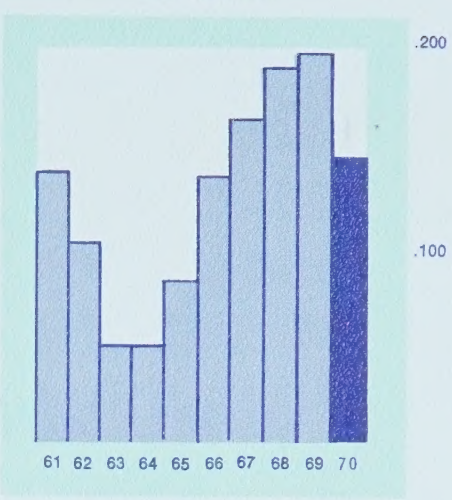
NET SALES (in millions)

EARNINGS



EARNINGS per common share

DIVIDENDS



DIVIDENDS per common share

1969	1968	1967	1966	1965	1964	1963	1962	1961
$28,467,388	$29,648,125	$21,436,477	$15,002,912	$11,813,997	$ 9,881,967	$ 8,278,869	$ 7,738,430	$ 7,862,244
1,131,516	972,348	662,079	481,308	409,427	460,033	436,869	367,580	184,738
1,811,573	3,076,478	2,121,433	1,371,081	835,692	511,921	269,984	409,249	1,028,138
862,663	1,527,931	979,756	575,034	343,881	186,949	85,200	101,330	488,050
948,910	1,548,547	1,141,677	796,047	491,811	324,972	184,784	307,919	540,088
.48	.79	.59	.41	.25	.15	.08	.14	.26
.200	.195	.167	.137	.084	.048	.048	.101	.137
17,737,761	15,210,379	12,840,547	10,368,248	6,244,622	5,675,341	5,749,431	5,133,155	4,940,584
6,117,320	5,842,225	4,355,922	3,634,601	2,095,706	1,945,715	2,239,271	2,213,960	1,843,925
10,995,347	8,736,244	8,030,547	6,498,824	4,066,299	3,635,277	3,329,148	2,851,258	3,048,325
1.41 to 1	1.63 to 1	1.96 to 1	2.71 to 1	3.37 to 1	4.38 to 1	2.87 to 1	5.04 to 1	6.89 to 1
8,261,087	7,278,615	6,237,628	5,422,552	5,000,838	4,776,442	4,590,125	4,567,499	4,498,610

*Reflects two-for-one stock split effective April 23, 1969, 5% stock dividend paid May 15, 1968, two-for-one stock split effective June 2, 1967, and two-for-one stock split effective April 28, 1961. Per share earnings have been computed in accordance with currently accepted practice on the basis of the average number of shares outstanding during the year.

Vulcan Corporation
Consolidated Balance Sheet

At December 31, 1970 and December 31, 1969

ASSETS

	1970	1969
CURRENT ASSETS:		
Cash	$ 401,880	$ 498,169
Marketable securities — at cost (approximate market value $11,439)	13,950	13,950
Accounts and notes receivable (less allowance for possible losses in collection $186,381 in 1970, $189,044 in 1969)	5,084,339	6,139,321
Inventories — at lower of cost or market	3,584,348	4,193,391
Prepaid insurance	134,915	150,516
	9,219,432	10,995,347
PROPERTY, PLANT AND EQUIPMENT — at cost: (Note 6)		
Land	231,756	176,675
Timberlands and timber cutting rights	548,278	534,878
Buildings and improvements	4,592,645	3,368,784
Machinery and equipment	9,051,251	8,338,584
Leasehold improvements	224,012	213,299
Total	14,647,942	12,632,220
Less — Accumulated depreciation	7,636,438	6,514,900
	7,011,504	6,117,320
DEFERRED CHARGES AND OTHER ASSETS	595,742	625,093
MODELS AND PATTERNS — at nominal value	1	1
TOTAL	$16,826,679	$17,737,761

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
CURRENT LIABILITIES:		
Notes payable — bank and other	$ 2,452,592	$ 3,322,484
Accounts payable — Trade	1,646,244	2,209,044
Other	181,998	147,025
Accrued expenses	642,344	842,836
Accrued federal taxes on income	263,868	269,040
Current portion of long term debt	1,017,633	985,272
	6,204,679	7,775,701
OTHER LIABILITIES	140,278	97,879
LONG TERM DEBT (Note 6)	2,176,801	1,603,094
SHAREHOLDERS' EQUITY:		
Capital stock		
$3.00 Prior Preferred — stated value $100.00 per share — Authorized 6,641 shares; outstanding 2,198 shares — 1970, 2,249 shares — 1969	219,800	224,900
$4.50 Cumulative Preferred — stated value $55.00 per share — redemption or liquidation value $100.00 per share Authorized 13,281 shares; outstanding 4,292 shares — 1970; 4,397 shares — 1969	236,060	241,835
Common — no par value Authorized 3,000,000 shares; outstanding 1,969,512 shares	246,189	246,189
Capital surplus (Note 3)	2,275,605	2,272,934
Retained earnings	5,360,581	5,308,543
	8,338,235	8,294,401
Less — Common stock in treasury — at cost 1,934 shares —	33,314	33,314
	8,304,921	8,261,087
TOTAL	$16,826,679	$17,737,761

Vulcan Corporation
Consolidated Statement of Earnings and Retained Earnings

For the years ended December 31, 1970 and December 31, 1969

	1970	1969
Net sales	$28,569,590	$28,467,388
Cost of sales	24,381,848	23,643,491
Gross profit	4,187,742	4,823,897
Selling, general and administrative expenses	2,998,708	2,968,064
Earnings from operations	1,189,034	1,855,833
Other expenses — net	399,044	44,260
Net earnings before provision for federal, state and foreign income taxes	789,990	1,811,573
State and foreign income taxes	47,681	194,663
Federal income tax	369,000	668,000
	416,681	862,663
Net earnings (per share of common stock outstanding — 1970, $.18; 1969, $.48)	373,309	948,910
Retained earnings — beginning of year	5,308,543	4,768,319
	5,681,852	5,717,229
Cash dividends paid — $3.00 prior preferred — $3.00 per share	6,641	6,780
$4.50 cumulative preferred — $4.50 per share	19,492	19,940
Common — 1970, $.15 per share; 1969, $.20 per share	295,138	381,966
	321,271	408,686
Retained earnings — end of year	$ 5,360,581	$ 5,308,543

The accompanying notes are an integral part of these statements.

Vulcan Corporation
Consolidated Statement of Source and Disposition of Working Capital

For the years ended December 31, 1970 and December 31, 1969

	1970	1969
SOURCES OF WORKING CAPITAL		
Consolidated net earnings	$ 373,309	$ 948,910
Add (deduct) transactions made in determining net earnings which do not represent current fund expenditures —		
Provision for depreciation	1,182,375	1,131,516
Provision for depletion	22,644	12,089
Deferred compensation expense	42,399	7,598
Deferred charges absorbed in operations	29,351	6,816
Market value of treasury shares issued as compensation	—	49,551
Gain on sale of timber tracts	—	(154,859)
Funds provided from operations	1,650,078	2,001,621
Increase in long term borrowing	573,707	—
Disposal of property, plant and equipment — depreciated cost	44,384	63,559
Proceeds from sale of timber tracts	—	156,779
Market value of treasury shares issued in connection with the acquistion of Southern Heel Company and Lolli Manufacturing, Inc.	—	419,520
TOTAL SOURCES OF WORKING CAPITAL	2,268,169	2,641,479
DISPOSITION OF WORKING CAPITAL		
Purchase of property, plant and equipment	2,126,587	1,464,680
Purchase of timber tracts	17,000	19,500
Reduction of long term debt	—	863,877
Cash dividends paid — Preferred stock	26,133	26,720
Common stock	295,138	381,966
Retirement of preferred stock	8,204	26,822
TOTAL DISPOSITION OF WORKING CAPITAL	2,473,062	2,783,565
Decrease in working capital	$ 204,893	$ 142,086

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

NOTE 1 — The consolidated financial statements include the accounts of the parent company and all subsidiaries both in the United States and Canada. In consolidation all intercompany items and transactions have been eliminated.

NOTE 2 — On April 8, 1970, the shareholders of the company approved the adoption of a stock option plan for key employees, including officers. In accordance with the plan, the number of shares of the company's no par common stock which may be issued and sold shall not exceed 40,000 shares. The selling price under each option is to be determined by a committee, but may not be less than the fair market value of the stock on the date an option is granted. Options issued under the plan are to expire five years from the date of issuance. No options were granted under the plan during the year.

NOTE 3 — The increase in capital surplus during the year represents the net excess of the stated value over the cost of preferred stock redeemed, amounting to $2,671.

NOTE 4 — Depreciation in the amount of $1,182,375 and timber depletion in the amount of $22,644 were charged to operations in 1970.

NOTE 5 — The company and certain of its subsidiaries maintain contributory and non-contributory pension plans for eligible salaried and hourly employees. The company's policy is to fund pension cost accrued. The total pension expense for the year, amounting to $185,101 included the total normal cost of the pension plans plus interest on the unfunded prior service cost. Unfunded prior service cost at December 31, 1970 amounted to approximately $690,000. The company anticipates amortization of such prior service cost over a remaining period of 27 years. The actuarially computed value of vested benefits for all plans as of December 31, 1970 was less than the total of the pension funds and balance sheet accruals.

NOTE 6 — Long term debt exclusive of the current portion consisted of the following:

Notes payable to bank:	
6½% payable in quarterly installments of $29,500	$ 32,500
7½% payable in quarterly installments of $124,530	337,320
6% "Small Business Administration Loans", due in 1975 in monthly installments of $2,778, including interest	111,415
9% note due in 1972, payable in quarterly installments of $18,600	65,100
Mortgages payable to banks:	
6%, due in 1973, in quarterly installments of $936, including interest	4,000
6%, due in 1977, in monthly installments of $311, including interest	19,000
6¾%, due in 1983, in monthly installments of $1,195, including interest	116,000
8%, due in 1979, in monthly installments of $971, including interest	66,000
Long term lease obligations	1,425,466
	$2,176,801

Provisions of loan agreements relating to certain long term debts (excluding long term lease obligations) require the company, among other things, to maintain consolidated net working capital of at least $3,000,000, and to obtain the consent of the lenders to create any mortgage or lien upon any assets.

The long term lease obligations relate to land, buildings and machinery and equipment leased from certain municipalities. Long term lease obligations at December 31, 1970 are as follows:

	FACILITIES LEASED FROM		
	City of Brockton, Mass.	City of Springfield, Tennessee	TOTAL
Long term lease obligations	$1,000,000	$458,624	$1,458,624
Less—Portion included in current liabilities	20,000	13,158	33,158
	$ 980,000	$445,466	$1,425,466

The Brockton facilities were financed by the sale of City of Brockton, Massachusetts Industrial Revenue Bonds. The issue bears interest of 7% to 8¼% per annum and matures serially in progressive annual amounts ranging from $20,000 in 1971 to $100,000 in 1990. The lease payments to be made by the company are in an amount equal to principal and interest payments due on the bonds through 1990. Under the terms of the lease agreement, the company has an option to purchase the facilities for a nominal sum at the expiration or sooner termination of the lease term following full payment of the bonds or provision for payment in accordance with the terms of the indenture.

The Springfield facilities were financed by private funds. The lease obligation is payable over 20 years in annual amounts of $40,884 representing both principal and interest. Under the terms of the lease agreement, the company has the right to purchase the facilities at any time for the unpaid principal balance owing.

In both instances, the leasehold interests have been capitalized; the assets are included in property, plant and equipment and are being depreciated over their estimated useful lives.

NOTE 7 — The company is defendant in a suit claiming damages in the approximate amount of $400,000. The company denies all allegations of liability and, in the opinion of legal counsel, the company should eventually prevail.

NOTE 8 — The company and its subsidiaries occupy manufacturing and office space under various leases with approximate aggregate annual rentals as follows (excluding long term lease obligations described in Note 6):

1971	$100,000
1972	80,000
1973	80,000
1974	50,000
1975 to 1990	220,000
	$530,000

J. D. CLOUD & CO.
CERTIFIED PUBLIC ACCOUNTANTS
TRI-STATE BUILDING
CINCINNATI
MEMBERS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

To the President and Board of Directors
Vulcan Corporation
Cincinnati, Ohio

We have examined the consolidated balance sheet of Vulcan Corporation and subsidiaries as of December 31, 1970 and the related consolidated statements of earnings and retained earnings, and source and disposition of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the preceding year.

In our opinion, the accompanying balance sheet, statements of earnings and retained earnings, and source and disposition of working capital present fairly the consolidated financial position of Vulcan Corporation and subsidiaries at December 31, 1970 and the consolidated results of operations and changes in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. D. Cloud & Co.
Certified Public Accountants

Cincinnati, Ohio
February 23, 1971

Vulcan Corporation Plant and Office Locations



EXECUTIVE — SALES —

ENGINEERING — COMPUTER SERVICES

SIX EAST FOURTH STREET, CINCINNATI, OHIO

1 Amesbury, Massachusetts/Plastic Heel Molding/Heel Finishing
2 Antigo, Wisconsin/Bowling Pins
3 Blanchester, Ohio/Lasts/Plastic Heel Molding
4 Brockton, Massachusetts/Lasts/Remodeled Lasts
5 Cincinnati, Ohio/General Office/Research and Development
6 Empire State Bldg., New York City/Style Salon
7 E. Bridgewater, Massachusetts/Lasts
8 E. Rochester, New Hampshire/Heel Finishing
9 Hancock, Michigan/Bowling Pins
10 Hanover, Pennsylvania/Heel Finishing
11 Kenton, Tennessee/Lasts/Plastic Heel Molding
12 Lawrence, Massachusetts/Plastic Heel Molding/Heel Research and Development
13 Los Angeles, California/Heel Finishing
14 Montreal, P.Q., Canada/Style Sales Office/Heel Turning, Molding & Finishing
15 Preston, P.O., Canada/Lasts
16 Portsmouth, Ohio/Remodeled Lasts
17 Quebec, P.Q., Canada/Heel Finishing
18 St. Louis, Missouri/Style Sales Office
19 South Charleston, Ohio/Wood Heel Turning
20 Springfield, Tennessee/Plastic Heel Molding, Heel Finishing and Turning
21 Streetsville, P.O., Canada/Heel Finishing
22 Toronto, P.O., Canada/Bowling Pins
23 Union, Missouri/Heel Finishing
24 Walnut Ridge, Arkansas/Lasts/Remodeled Lasts

vulcan

Woodard and Wright Last Corp.
E. Bridgewater, Mass.

The Great Western Heel Co., Inc.
Los Angeles, Calif.

Amesbury Plastics, Inc.
Amesbury, Mass.

The Canada Last Co., Ltd.
Preston, P.O., Canada

Brockton Last Remodeling Corp.
Brockton, Mass.

Southern Heel Company
Springfield, Tenn.

Morton Last Co.
Portsmouth, Ohio

Penn-Vulcan Heel Co.
Hanover, Pa.

Litho in U. S. A.

Vulcan Corporation
Cincinnati, Ohio 45202
U.S.A.

NEWS RELEASE

VULCAN CORPORATION
Executive Offices
Six East Fourth, Cincinnati, Ohio 45202 Area 513 621-2850

Manufacturers of: SHOE PRODUCTS SPORTS PRODUCTS PLASTIC PRODUCTS

FOR RELEASE UPON RECEIPT March 17, 1971

VULCAN CORPORATION 1970 ANNUAL REPORT

Vulcan Corporation, Cincinnati-based manufacturer of shoe, sports and plastic products, transmitting to shareholders the annual report for the year ended December 31, 1970, observes 1970 was a year in which Vulcan Corporation shared, with a large percentage of all business, a loss of volume and lowered profit margins in many of its operations; noting however, the sports products division, which is oriented to the ever-expanding recreation market, countered the normal trend and showed an increase in sales and profits. Net sales were $28,569,590 in 1970 compared to $28,467,388 in 1969, and net profits for 1970 were $373,309 which amounted to 18 cents per share after payment of dividends on preferred stock; this compared to profits of $948,910 or 48 cents per share in 1969.

The Vulcan report, dated March 17, 1971 and transmitted over the signatures of J. W. Brown, Chairman of the Board, and Lawrence B. Austing, President, advised the shoe products division, representing the major portion of Vulcan's business, was adversely affected by a decrease in domestic shoe production, the high cost of money and an uncertain fashion picture which retarded shoe last buying by manufacturers. Domestic shoe production reached its lowest level since 1954, and both the general economy and conditions specifically affecting the shoe industry tended to stymie progress in many of Vulcan's new ventures started in 1969; however, these are still considered to have good future prospects when more normal business conditions develop. It was noted, when general economic recovery along with anticipated Congressional import relief failed to materialize, operations were reviewed and steps taken to meet the challenge. Staff was reduced - inventories slashed - capital spending curtailed - marginal operations consolidated or eliminated. 1970 results reflect only minimal returns from these economy moves as they were effective for only portions of the year and 1971 and future years should benefit to a much greater extent than 1970.

In the closing comments, Chairman Brown and President Austing remarked, "Vulcan Corporation is constantly working to improve results for the future. A stringent economy program has cut operating costs. Increased research has resulted in product developments that are giving our customers better values to help offset imports. New markets in the plastic field are being explored as an avenue to diversification and internal growth. Means of increasing the efficiency of our operations through better utilization of labor, technological improvements, consolidation or elimination are constantly being explored. These programs, when coupled with an upturn in the economy, or at least a temporary slowdown in shoe imports, should restore respectable profit patterns and enable the corporation to resume its growth pattern."

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